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8TH Eastern & Southern Africa Regional Conference on Inclusive Insurance

Presented by: **Japheth Ogalloh**
**Managing Director – Old Mutual General
Insurance Kenya**

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AGENDA



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CASE STUDY: Old Mutual MSME's product offering



Appreciation the Role of MSMEs in our industry

Overview:

- a. MSMEs constitute about 95% of all businesses in Kenya and collectively employ close to 14.9 million people, constituting 80% of the entire labour force;
- b. There are about 7.41 million MSMEs in Kenya that collectively contribute about 34% of the country's GDP;
- c. Over 85% of MSMEs in Kenya are unlicensed enterprises, with the clear majority of these falling under the category of 'Micro';
- d. Medium enterprises only account for 0.7% of total licensed enterprises in the country;
- e. 78.9% of unlicensed MSMEs do not have any records and more than 70% of their proprietors have KCPE as their highest educational attainment;
- f. Over 70% of MSME start-ups are not able to operate beyond the third year.

Key Trends:

- a. The government is keen to encourage MSME growth with targeted strategies including efforts to formalize the sector as well as increased access to private sector growth which stood at 11.7% in February 2023
- b. Financial losses from an adverse event often exceed what MSMEs can cover with informal risk mitigation mechanisms or reserves
- c. Formal insurance products are a crucial tool to increase the resilience of MSMEs. However, the uptake and use of insurance remain very low among MSMEs. This, in turn, leads to a large and persistent gap in insurance provision for MSMEs

Importance of MSMEs to the Economy

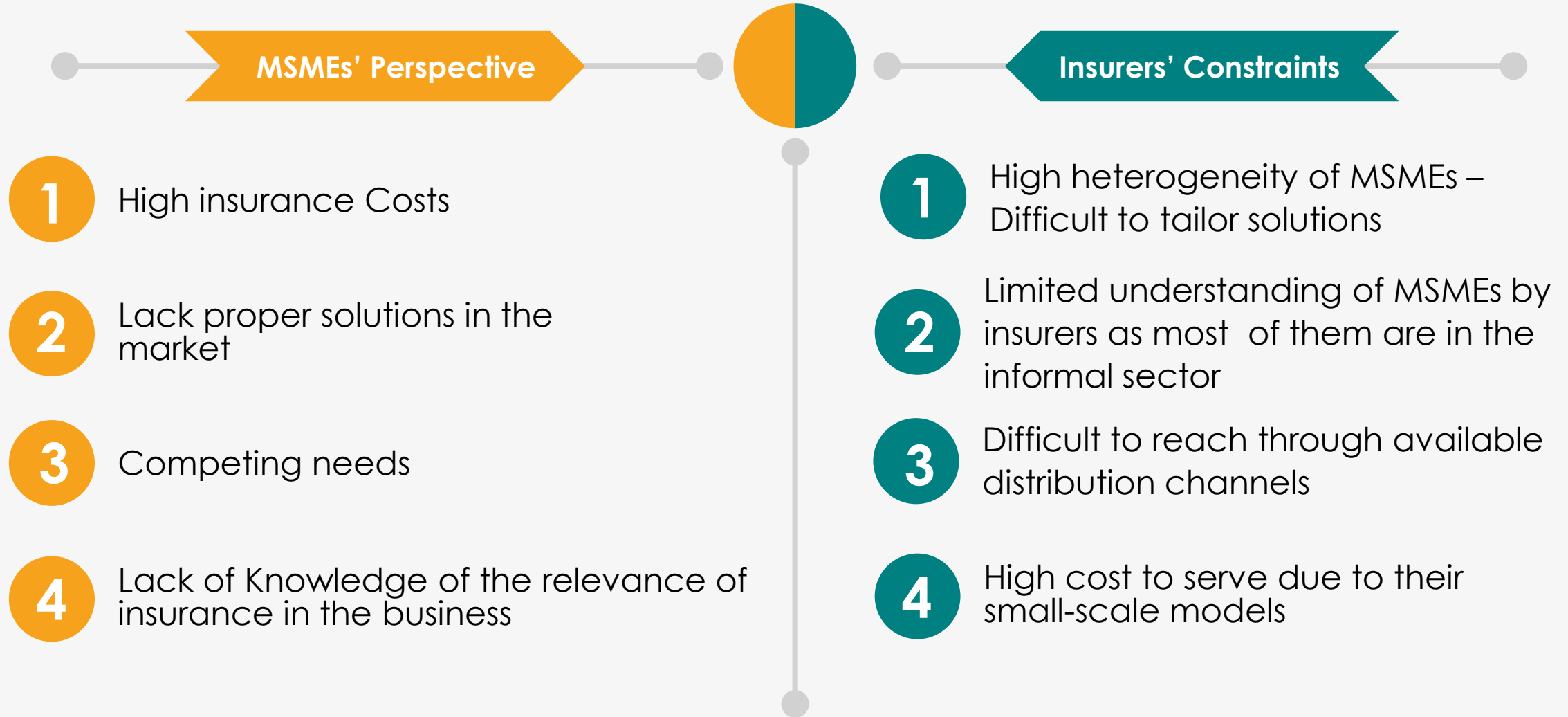
- ✓ MSMEs are the backbone of our economy and act as key contributors to economic growth
- ✓ They are key in filling the gap of unemployment given their nature as labor intensive ventures
- ✓ They favor flexibility and innovation within the economy



Overview of MSMEs insurance uptake

- The MSMEs sector is characterized by low insurance uptake
- Few MSMEs have any form of insurance cover to help shield them, even those which have insurance are only covered for personal impacts on their health expenses, while their enterprises remain highly exposed to risks.

Challenges in MSME Insurance Uptake (MSME perspective & Insurer's Constraints)



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How Insurers can meet the Risk Management Needs for MSMEs



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a. Holistic understanding of Risk and development of targeted SME products

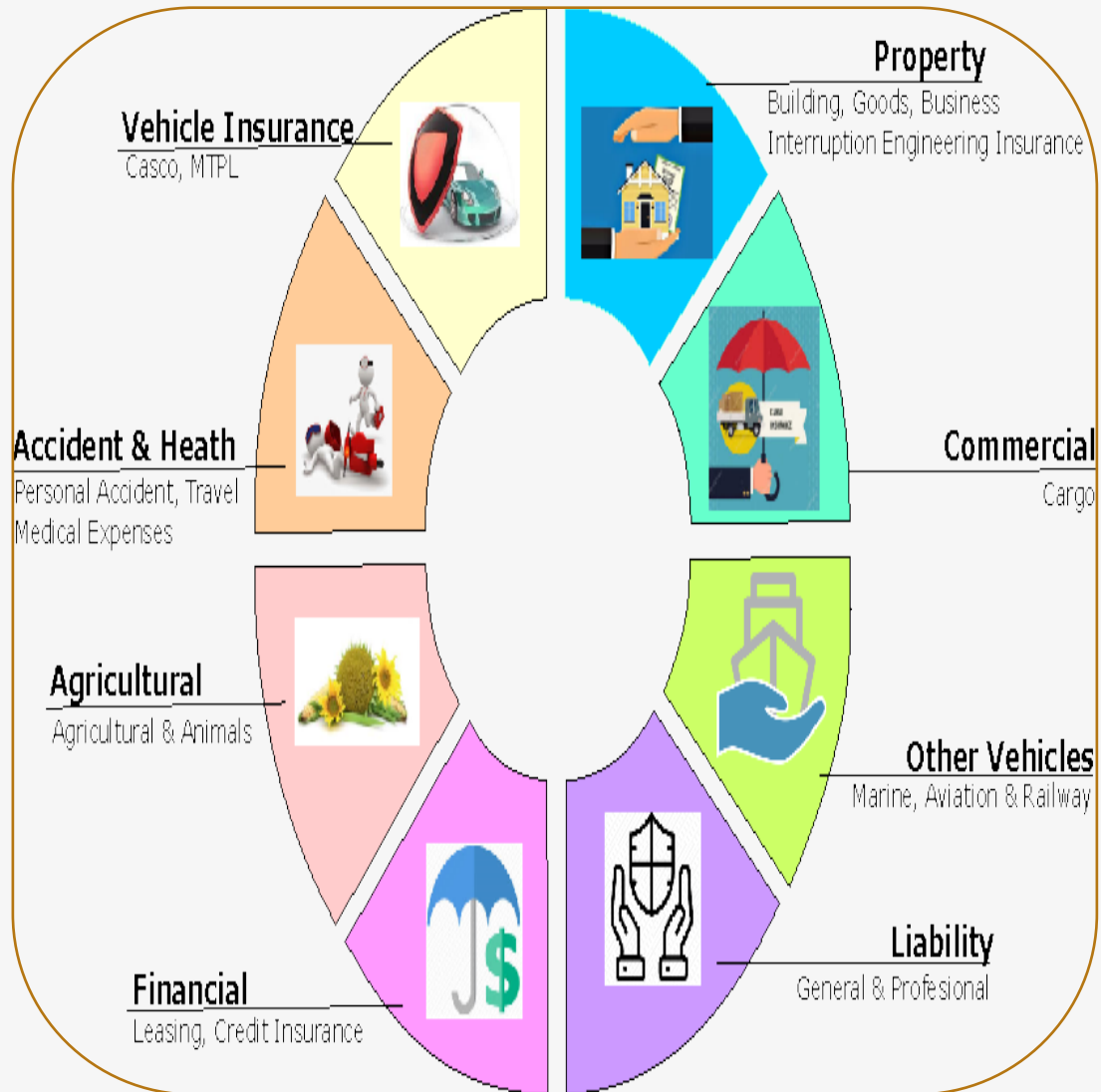


Proactive risk management solutions rather than risk transfer solutions:

- Insurance providers can make a fundamental shift by developing **risk solutions for MSMEs** more broadly than simply offering insurance products.
- Insurance players have far greater and more sophisticated understanding of risks, and how to model and mitigate them than most MSMEs.
- Working with SMEs to assess their risk and **supporting the implementation of risk prevention and management mechanisms**, rather than only focusing on the transfer of risk through traditional insurance policies, can be mutually beneficial and add far greater tangibility to MSME insurance offerings.
- The approach would more directly address the MSMEs' primary risk need, add tangibility to their insurance offering while mitigating against their own risk of claims



b. Product Bundling



- MSMEs typically have a range of different risks and needs. These include risks to the enterprises and their employees.
- Bundled products that address the range of specific risks faced by individual MSMEs may therefore offer them greater value and convenience than standalone insurance products.
- However, beyond the bundling of different insurance policies, there is also potential benefit in bundling different types of mutually supportive insurance and non-insurance products, such as credit or nonfinancial services.



c. Adopting Technology solutions for wider rich



- Insurers are increasingly appreciating the role of digital tools in expanding possibilities for MSME insurance.
- Technology provides leeway in terms of providing digital insurance thereby increasing accessibility to MSMEs. Enterprises can access end to end servicing of insurance by using an app in their phones.



d. Partnerships with aggregators and regulators



- Pooling of MSMEs with similar insurance needs can effectively increase the uptake of insurance in the class. This can be made possible through partnering with organizations that aggregate the targeted MSMEs and have frequent touch points.
- Such include:
 - ✓ **Financial institutions:** Process regular financial transactions that can be leveraged for premium and claims payments and Can bundle insurance with other financial products such as savings and loans
 - ✓ **Agent networks:** Both the small businesses that make up the network and their customers can be considered as potential insurance clients.
 - ✓ **Cooperatives:** Generally aggregate businesses with very similar characteristics
 - ✓ **Government:** Leverage government interest in incentivizing certain behaviors (e.g., tax payments) and improving productivity . Similarly, the government may be handy in facilitating insurance transactions through existing (social security) schemes
 - ✓ **Digital Platforms:** Already an aggregator of MSMEs for existing value chain functions. Platforms can be incentivised to offer value added services to users to build their network of platform participants



e. Education

RAISE
AWARENESS



- Offering targeted capacity building to both the underwriter and the MSMEs is crucial to drive growth.
- Only a small fraction of MSMEs have any kind of insurance coverage. They generally lack the knowledge required to identify risks they face and are not familiar with the role that insurance could play in managing these risks.
- Similarly, insurance providers are also lacking in experience with serving the MSME market. They do not sufficiently understand business models, risk profiles and insurance needs of different segments of MSMEs.
- It is important to design and support campaigns to raise awareness about insurance and improve insurance literacy of MSMEs and collaborative training that teaches insurance professionals to understand MSMEs in depth and design both the right products and distribution strategies to reach them.'
- Regulatory supervision would be key in fostering test and learn environment, engaging in multi-stakeholder platforms to actively support market building.

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CASE STUDY: Old Mutual MSME's product offering



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OLD MUTUAL MSME PRODUCT OFFERING

Biashara Sure Cover (Bundled General Insurance Solution)

- This is a comprehensive insurance solution designed for small and medium sized business enterprises. It offers enhanced benefits from several insurance classes combined into one policy making it cost effective and convenient for small businesses.
- It is a self-rating/pricing product that allows a business to select a minimum of two classes. While Fire and allied Perils is mandatory, businesses are free to select any other class(es) from the following:

- Business interruption	- Burglary
- Money	- Employer's liability
- Fidelity Guarantee	- Goods in Transit
- WIBA	- Political violence and terrorism
- Electronic equipment	- Machinery breakdown

Biashara Flexi (Life Insurance Solution)

- Biashara Flexi offers life insurance for assured employees working within a small or medium sized organization. It covers the member should he/she become permanently or temporarily disabled and fail to engage in their occupation ever again.
- It offers life cover plus permanent and total disability cover. In the event of the death of the assured, Biashara Flexi provides payment as a multiple of salary or as a fixed amount.

SME Health (Health Insurance Solution)

- This is a health insurance cover designed for the underserved SME segment that needs benefits tailored to their business size but with comprehensive benefits.
- It offers flexibility on the number of staff allowing 3 to 100 employees and caters for inpatient and outpatient medical expenses incurred by the insured members and their dependents. It also caters for maternity, dental, and optical expenses.
- This cover offers special features including personal accident, cover for select pre-existing chronic conditions and an optional critical illness cover. There are no waiting periods and businesses have access to volume discount.

Integrated Financial Services:

- In conjunction with the SME products Old Mutual offers MSMEs:
 - ❖ Unit Trust Funds
 - ❖ Medical insurance covers
 - ❖ Personal Accident covers
 - ❖ Domestic Package Insurance Solutions



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Old Mutual Life Assurance Company (SA) Limited is a licensed FSP and Life Insurer.

